



Congressman Pedro R. Pierluisi
Five-Minute Floor Statement as Prepared for Delivery
Government Accountability Office (GAO) Report, “Puerto Rico: Information on How Statehood
Would Potentially Affect Selected Federal Programs and Revenue Sources”
April 2, 2014

Mr. Speaker:

This week, GAO published a report about the fiscal impact of Puerto Rico statehood on the federal government.

In a 2012 referendum, a majority of voters in Puerto Rico said they don’t want Puerto Rico to remain a territory, and more voters favored statehood than any other option. In January, at my initiative, a law was enacted to provide funding for the first federally-sponsored status vote in Puerto Rico’s history. Meanwhile, in the past year, Puerto Rico’s longstanding economic problems have devolved into a crisis. Every week, 1,000 of my constituents move to the states in search of opportunity and equality. Thus, GAO has released its report at a time when island residents are voting for statehood—at the ballot box *and* with their feet—in unprecedented numbers.

The momentum in favor of statehood continues to build with this report, which supports the conclusion that statehood will be beneficial to Puerto Rico and the U.S. as a whole.

The report confirms that statehood will enhance quality of life in Puerto Rico. As a territory, Puerto Rico is treated unequally under key federal spending and tax credit programs. As a state, it will receive equal treatment. Based on GAO's analysis, and taking into account programs GAO did not examine, it can be calculated that statehood will inject an additional \$10 billion dollars into Puerto Rico's economy each year. This underscores the scope and severity of the discrimination Puerto Rico faces as a territory.

The report also alleviates concern that statehood would have an adverse impact on the U.S. treasury. As GAO explains, new federal outlays to Puerto Rico will be significantly counterbalanced by new federal revenues generated from the island, which could amount to \$7 billion dollars a year. As Puerto Rico prospers, collections will increase further.

The report thus reinforces that statehood, which is so plainly in *Puerto Rico's* interest, is also in the *national* interest. This nation will benefit when Puerto Rico's economy is strong, its residents don't need to move to the states to achieve their dreams or vote for their national leaders, individuals and businesses on the island flourish, and the tax base expands. The U.S. will profit from the *state* of Puerto Rico's success, just as it currently pays an economic and moral price for the *territory's* shortcomings.

The reaction to the report from politicians in Puerto Rico who favor the status quo has been dishonest. Their strategy is clear: if you cannot *convince* the public, try to *confuse* the public.

For example, they claim the report concludes that hard-working island residents would have a large federal tax liability under statehood. The report says no such thing, and the assertion is

false. A typical household in Puerto Rico will pay the same or less in total taxes under statehood than it pays now, due to the application of federal tax credits and the ability of the Puerto Rico government to reduce its high local rates once it no longer needs to finance a disproportionate share of public services.

In any event, this inaccurate argument shows disrespect for the people of Puerto Rico, who will be proud to assume both the rights and the responsibilities of statehood. Throughout history, men and women have fought and fallen for equality and dignity. These principles are priceless.

My colleagues who requested the GAO report should now schedule a hearing on it. 75 days have passed since enactment of the law authorizing Puerto Rico to hold a federally-sponsored referendum. 132 Members of Congress have sponsored my legislation that calls for a referendum on Puerto Rico's admission as a state and that requires federal action if a majority of voters choose statehood. If the Governor of Puerto Rico believes his claim that the GAO report is somehow damaging to statehood, he should have the courage of his convictions and conduct a statehood admission vote with the available federal funds without delay. His inaction speaks louder than his words.

Thank you.